SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

Annual Report Under Section 13 or 15(d) of the
SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Fiscal Year Ended
December 31, 2002

Commission File #0-30440

THE AUXER GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

22-3537927
(IRS Employer Identification Number)

954 Business Park Drive, Suite #2, Traverse City, MI 49686
(Address of principal executive offices)(Zip Code)

(231) 946-4343
(Registrant's telephone no., including area code)

12 Andrews Avenue, West Paterson, New Jersey 07424

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, $0.001 par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ( )

Revenues for year ended December 31, 2002: $1,418,199

Aggregate market value of the voting common stock (on a fully diluted basis) held by non-affiliates of the registrant as of April 14, 2003, was: $6,302,116 (based on a stock price of $.01).

Number of shares of the registrant's common stock outstanding as of April 14, 2003 is: 671,211,566

Transfer Agent as of April 14, 2003:

Interstate Transfer Agent
874 E. 5900 South, Suite 101
Salt Lake City, Utah 84107

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Business

On January 15, 2003, we completed a stock exchange agreement and plan of reorganization with Viva Airlines, Inc. In accordance with such agreement, we issued 246,000,000 of our shares of common stock to the shareholders of Viva Airlines, Inc. After the transaction was completed, the aggregate number of our shares held by the following Viva Airlines shareholders represented more than 50% of our issued and outstanding common stock: Old Mission Assessment Corporation, Robert J. Scott, Joan Jolitz, Enterprises D and D, Lazaro Canto and Bash, LLC. In addition, all of our officers and directors resigned and Robert J. Scott became our sole officer and director. Based on this transaction, we intend to change our name to Viva International Inc. or a similar name. To date, this name change has not been undertaken.

The stock exchange agreement and plan of reorganization also requires that our only active subsidiary, Harvey Westbury Corp., shall be spun off to a company controlled by our former officer and director, Eugene Chiaramonte, Jr. To date, this has not been undertaken.

As of today, our other subsidiaries are inactive or in the process of being dissolved.

On January 17, 2003, Viva Airlines appointed Juan Carlos Hernandez as its Vice president and Chief Operating Officer for Dominican Republic operations. As of April 15, 2003, Mr. Hernandez has opted not to accept his appointment.

On January 21, 2003, Viva Airlines commenced acquisition negotiations with Kick Communications of New York, an international provider of long distance telephone services. To date, Viva has not finalized any agreement with Kick Communications.

On January 22, 2003, we issued a letter of intent to purchase 3 Boeing 727-200 aircraft from Airframe Consultants, Inc. To date, we have not finalized any agreement.

On February 19, 2003, we formed Viva Dominicana, Inc., S.A., and signed an agreement for the purpose of acquiring Aerocontinente Dominicana, S.A. This transaction is intended to close on or about April 30, 2003.

On February 20, 2003, we entered into negotiations with Mojave jet to purchase 2 Boeing 737-200 aircraft. To date, we have not finalized out agreement with Mojave Jet.

On March 10, 2003, we announced out intention to acquire a 49% interest in Queen Air. To date, we have agreed in principal to proceed with this transaction.

On March 27, 2003, we announced the following executive appointments: Rudy Dominquez as Viva Airline’s President and Chief Operating Officer, and Oscar Hasan as Viva’s Vice President of Sales and Marketing.

On April 14, 2003, we signed a letter of intent with Tristar Capital LLC to purchase one Lockheed wide-body passenger aircraft.

The following is the business plan for Viva Airlines, Inc., our only active subsidiary:

On September 17, 2002, Viva Airlines, Inc., was incorporated as a Puerto Rico Corporation. It’s principal office are located in Traverse City, Michigan. The founders of Viva have extensive experience in consumer aviation.

The intent of Viva is to introduce a new consumer airline being organized to take advantage of a specific gap in the Caribbean air travel market and the Caribbean to the United States air travel market. Presently, there is a gap that exists in low cost service out of Puerto Rico and the Dominican Republic to the United States and other Caribbean destinations. The gap in the availability of low cost service in and out of these hubs coupled with the local demand for passenger travel on selected routes from the Caribbean indicates that a new entrant airline is needed for current air travel business from those hubs.

Viva’s research and projections indicate that air travel to and from the Caribbean hubs in San Juan, Puerto Rico and the Dominican Republic is sufficient to establish a new carrier utilizing eight aircraft and selected routes. The Viva plan has the potential for a more rapid ramp-up due to the nature of the routes, the demand for travel currently in the targeted markets served and the proposed acquisition of Aerocontinente Dominica, S.A. On February 19, 2003, Viva formed Viva Dominicana, Inc., S.A., a Dominican Republic corporation and agreed to acquire Aerocontinente Dominica, S.A. on or before April 30, 2003. The proposed agreement provides for the acquisition of 100% of the issued and outstanding common stock in exchange of $1,200,000 in cash.

In the first year of formative operations of Aerocontinente Dominica, we expect that we will burn excessive cash until revenue can fall into place as additional routes are established. This is due to the organizational and regulatory obligations of a new air carrier. Investment activity is needed to handle the expenses of this phase of the business.

Viva has the following objectives:

1. To obtain required D.O.T. and F.A.A. certifications on or before May 1, 2003.
2. To commence revenue service on or before May 15, 2003.
3. To raise sufficient "bridge" capital in a timely fashion to financially enable these objectives.
4. To commence operations with two Boeing 727 series aircraft in month one, five aircraft by the end of month three, and eight aircraft by the end of month four.

Viva Airlines has a mission to provide safe, efficient, low-cost consumer air travel service. Its service will emphasize safety as its highest priority, will strive to operate timely flights and will provide friendly and courteous "no frills" service.

Viva believes that the keys to success are:

- Obtaining the required governmental approvals.
- Securing financing.
- Experienced management and crews.
- Marketing; either dealing with channel problems and barriers to entry; or solving problems with major advertising and promotion budgets. Targeted market share must be achieved even amidst expected competition.
- Product quality. Always with safety foremost.
- Services delivered on time, costs controlled, marketing budgets managed. Rapid growth will be curtailed in order to keep maintenance standards both strict and measurable.
- Cost control. The over-all cost per ASM (available seat mile) is pegged at 10 cents or less in 2003 dollars.

In the second year of operations, Viva intends to add flights to the most demanded and popular routes in current operation. This will serve to make its schedule the most convenient to these destinations. The expected expanded routes will initially include Chicago, Boston, and Orlando. Second level expansions would include Mexico City, Madrid and Rome.

The following sections describe Viva’s description of service, competitive comparison, technology, fulfillment, and future services.

Service Description

Viva is in the business of providing lower cost, "price competitive" air travel to selected destinations from their Caribbean hubs. The service approach is "no frills" with emphasis on safe, courteous handling of domestic and international passenger travel.

All consumer surveys still indicate that the air travel customer's preference is for "low fares." However, he or she is not willing to compromise on issues of safety or on-time performance. Customers will however, settle for lower levels of in-flight service in order to reduce the cost of travel.

Viva provides the type of service today's air travel passenger demands.

Competitive Comparison

The primary competition in our market is American Airlines and Continental Airlines, which account for 80% of the air travel volume in this market. This is as high a single market dominance that exists in any United States market. Also, this results in the highest fares in the nation for travel in-and-out of the Caribbean.

Viva feels that it can obtain a significant portion of this business. Our costs will be lower than either airline (10 cents per ASM vs. 12 cents per ASM). American Airlines is already in financial difficulty. This identifies a gap for only a "hub-based" carrier in the Caribbean market.

Operation of a single type of aircraft will have significant cost, maintenance, and training expense reduction.

Viva’s aircraft will operate out of these two hubs with high utilization based on price advantage. Viva will have an over-all competitive advantage since we don't have aircraft or operations outside of our limited focus. Other airlines must maintain "system-wide" load factors and utilization, while Viva will operate profitably within its "niche" market. This will serve as a barrier to entry from other competitors once Viva is entrenched in this market. It is unlikely that larger airlines will be able to compete with Viva’s low fares nor will they probably have the desire as they focus on more profitable "long-haul" routes with larger airplanes.

Viva will achieve its target cost of $0.10 cents or less per available seat mile by a combination of cost saving measures. Savings will come in the areas of labor costs and from operational economies. Viva will utilize its flight crews significantly more than its competition. Flight crew utilization will be 60% above industry average. Both pilots and flight attendants will be deployed an average of 85 hours per month vs. an industry average of 50-60 hours per month. Viva will realize additional savings in the insurance and benefits areas by virtue of having fewer crew members.

Efficiently operating the meal service in-flight will save approximately $3.00 per seat per flight. It is Viva's goal to utilize its fleet an average of 11 hours per day, 7 days per week.

All aircraft will be configured to a coach seating capacity of 131 seats and a business class seating of 10 seats. This will maximize revenue on short-haul flights. Boeing 727 series will be the only aircraft initially operated by Viva.

Our state-of-the-art reservations system will save time, allow us to employ fewer reservation employees, and save training costs for new reservation personnel.

Fulfillment

Aircraft will be obtained on a "dry lease" basis (without fuel) from one of several aircraft lessors at an approximate cost of $100,000 per month. Viva management has already been in contact with ROHR, a division of Goodrich.

Generally, first and last month's lease payments are required in advance. Lease is usually a five-year operating lease and most often qualifies as an expense item to the lessee. Terms of renewal are negotiable and no buy-out provision is included. There may or may not be an additional deposit required by the lessor as a maintenance reserve. Viva management feels that this will not be a requirement but is prepared to make such a deposit if it becomes required to obtain necessary aircraft for operations.

It is expected that up to 20 airplanes will be available over the next two years with an average of 120 days lead-time required.

Outsourcing of services are as follows:

Maintenance:

All regular "A" and "B" maintenance will be performed by Falcon Air Express personnel at their own facilities in Miami Florida. Viva management feels that it is both necessary and prudent in today's regulatory environment to outsource this regular and routine maintenance. Periodic "C" and "D" overhauls and major maintenance will also be outsourced. Costs are budgeted at $452 per flight hour for maintenance reserves and $500 per flight hour for line maintenance and parts. It is common for many carriers in the aviation industry (including some large carriers) to "sub-out" "C" and "D" scheduled maintenance. Thus, it is not viewed as a competitive or regulatory disadvantage to Viva to do likewise.

Ground Handling:

Airplane parking services, baggage loading and unloading, and baggage and freight handling services will be outsourced at all airports other than the Caribbean hubs where these services will be performed by Viva personnel.

Food Service:

All condiments and beverages served on Viva flights will be purchased from in-flight food service providers.

Technology

All equipment and systems that will be utilized by Viva have been carefully and diligently evaluated. Management feels that it is an advantage to be starting an airline today vs. using many of the systems that burden even the largest domestic carriers with extra cost due to outmoded technology. The technological advantages to management's choices are outlined below:

Airplane advantages:

Management is well acquainted with all facets of operation of its airplanes from prior experience.

Reservation advantages:

The predominate reservations systems in the airline industry today, "Sabre" and "Apollo," are outmoded and obsolete. The major carriers are slow to change because of the huge capital requirement to "roll over" their entire reservations system at one time. Therefore, they keep using the old and outdated systems.

The GABRIEL reservations system that Viva will use has three main advantages that all contribute to cost savings: 1) Speed, 2) Learning Curve, and 3) Integration. Since today's PC's operate much faster than earlier versions, Viva's reservation employees will be able to complete a typical reservation procedure up to 75% faster than industry averages. Most reservations will be completed in two minutes or less (as opposed to the frequent 8 to 10 minutes that almost everyone has experienced from time to time). The system simply searches and retrieves data faster. The result is not only higher levels of customer satisfaction but also substantial savings in communications cost to Viva.

Training costs are also reduced exponentially. There is characteristically high turnover among airline reservation employees. "Sabre" and "Apollo" take two weeks to learn. Viva's use of GABRIEL will enable a basic computer literate employee to learn the system in only one day.

The GABRIEL system also integrates with other management information systems used by Viva. It is also designed to operate in a "ticketless" environment, something the other systems have difficulty accomplishing.

Operational advantages:

Over-all operations will be seamless from area-to-area of Viva's management information systems as a whole. Most systems utilized by the major carriers today were put in place more than 20 years ago. Thus, there is a constant need for each operational area to "talk" or "re-transmit" essential data. Not only will Viva's information systems operate "seamlessly" but they will also enhance the ability to conform to all FAA compliance requirements. The biggest and toughest compliance issue facing carriers today is "record keeping." It is not enough to comply, but one must be able to prove compliance as well as have full and clearly defined and documented internal accountability.

Future Services

Viva’s service will be coach and business class with all aircraft configured for a seating capacity of 131 coach class passengers and 10 business class passengers. Reservations will be handled predominately by Viva’s own reservation system (even though Viva has budgeted travel agent commissions as 10% of sales). Paid service will be for alcoholic beverages only. Meals will be served on long-haul flights, and Viva has allowed a $7.50 cost for all coach seats sold.

Market Segmentation

The airline industry is dominated by the major carriers. It is an industry characterized by merger, acquisition, and consolidation. Like so many other industries it has quickly evolved into an industry that has room only for major players and smaller "specialty" or "niche" participants. There are two specialty segments that have characteristically been exploited by new entrants. One is the "price" niche and the other is the "route" niche. One focuses on charging less, the other on providing either the only service between two given points (the "commuter" or "feeder" concept) or else superior or more convenient or less costly service between two heavily traveled destinations.

In today's marketplace the "price" positioning, in and of itself, is no longer a sufficient concept on which to build an airline. Since de-regulation the flying public has been inundated with low fares. Low fares have become an expectation, not a promise. Thus, the true market segment opportunities today have become a combination of service mix, price, and route selection. The more critical decision has become one of deciding on service mix and price in conjunction with length of route. The specialty carrier is now relegated to either "short-haul" or "long-haul" concentration. There is room for a long-haul carrier who efficiently serves limited routes with only the equipment designed to serve those routes and, conversely, there is room for a short-haul carrier to take advantage of similar economies available with new technology and the proper equipment. Viva feels that the likelihood of competition from major carriers is less likely in the Caribbean segment.

This enables consolidation of services and economies of down-sized scale. At the same time, the revenues available from short hauls are comparatively higher than long hauls on a per-passenger-mile basis.

Thus Viva may be said to target the short-haul, dual hub, discount fare Caribbean market segment. This is a new segment defined by the demands of today's traveler.

Service Business Analysis

The Federal Government de-regulated the airline industry in 1978. Prior to that time the government virtually guaranteed the profitability of the airline industry, at the expense of the consumer. Routes were restricted. Fares were fixed. Costs got out of control. Today some of the major carriers still continue to operate at less than optimum efficiency. This has spawned the success of various "discount" carriers, most notably Southwest Airlines and the Jet Blue.

The low cost carriers have proven that they can operate profitably, can garner market share, and have even spawned an increase in travel by luring those who would previously have traveled by bus, rail, or automobile or who would not have traveled at all.

Many major airlines today are experiencing significant losses. The management of Viva feels that these losses can be traced directly to the high cost of labor, operational inefficiency, and poor management. Management further believes that the major carriers cannot profitably compete against start-up carriers with limited and specific market focus and lower over-all cost structures.

In retrospect, de-regulation has succeeded in providing air travelers with better service but has not necessarily provided service at a lower price. In the recent times of financial trouble many airlines have complained of an under supply of air travelers, when in fact there is an under supply of affordable seats. It is Viva's goal to provide these affordable seats while maintaining a profitable airline.

Business Participants

The major air carriers in the U.S. are not the focus of Viva’s business plan. They are not viewed as competition to a single hub, short-haul, low cost entrant. The following three airlines are our competition: Southwest, Jet Blue and US Air.

Southwest Airlines is the model for operating a safe and successful discount carrier. Even though Southwest has the lowest cost per ASM in the airline industry for short-haul carriers they have never experienced a fatal crash in more than 25 years of operation.

Viva management has studied extensively the history of the above three airlines. All three have grown to substantial revenue size amidst the major airlines. None of the three existed in the not-too-distant past. Viva has taken the best parts of each growth story. The result is Viva Airlines plan.

Distributing a Service

Sales of airline tickets have historically been either direct from the airline itself or through various travel agents. Modern computer technology and communications capability are changing the mix dramatically. Travel agents once accounted for 80% of ticket sales. This channel of distribution has been one of very high cost to the airlines. Travel agent commissions at one time became the highest individual cost item to an airline. The physical cost of printing and distributing tickets is also substantial. Travel agents estimate that it costs them an average of $30 in total cost to originate an airline ticket. Many of them have begun to add their own service fees to the actual cost of a ticket.

Available technology has now afforded the opportunity both to sell one's own tickets and to eliminate the physical ticket altogether. The critical element for both strategies to be successful for an airline is simply to create the demand for travel on one's airline. If the airline makes it desirable for the consumer to want to fly it then it is just as easy to order tickets directly from the airline as it is from any other source. Viva will have its own reservations agents available via an 800 number (the service will be 24 hours from an available pool of 90 agents in total). In addition, we will have an Internet site where schedules are available and customers can book their own reservations and buy tickets via credit card.

Viva expects to sell as much as 90% of its air travel "direct" and "ticketless." It has budgeted 10% of sales as commission to sales agents.

"Ticketless" travel has an additional advantage since Viva will not wait 30 days for collection of clearinghouse funds from other airlines on combined-carrier tickets. Also, it is not expected to be a competitive disadvantage for Viva's passengers to connect to other airlines. They will want to fly Viva to available destinations to save money even if they need to buy a paper ticket on another airline. Viva flights will be listed in all available flight information systems.

Competition and Buying Patterns

The most critical factor for Viva or any new airline to overcome is the issue of brand awareness and name recognition. Customers prefer to fly with carriers they know and trust. There is little doubt that Viva will need to spend heavily and frequently to advertise and promote its product. The needed amounts are budgeted in this plan. The advantage is that local media can be utilized which is more cost effective on a per-impression basis. It can also be highly targeted. It has been proven in the past that market share can be achieved for a new airline.

Critical in today's environment is safety. Consumers will switch for lower costs, but not at the expense of a perception of a safety risk, or not at the expense of expected on-time performance. Viva will emphasize these two main themes.

In the Caribbean market, Viva expects to appeal to a mix of business oriented travelers and personal travelers. One issue is whether or not "frequent flier miles" are needed to compete and sell tickets. Management feels they are not. Industry estimates show that as many as 10% of occupied seats on domestic flights are currently "no revenue" as a result of redemption of premiums earned. It is also very expensive for an airline to administer its frequent flyer program. Viva feels that our cost advantage in our market will outweigh the lack of "incentive" rewards. It expects that casual and personal travelers don't fly often enough for "points" to be significant. At the same time, Viva will initiate a concerted sales effort directly to all major corporations in our market.

Main Competitors

In the past, a major competitor in our market was US Air. At one time Eastern Airlines and Piedmont dominated the market. Eastern Airlines went out of business and Piedmont was acquired by US Air. US Air was highly vulnerable because of its high operating costs. ASM short-haul cost is currently the highest in the United States.

US Air's problems can be traced to two main factors. The first is the fact that their growth strategy was by acquisition. The consolidation of these carriers did not produce the operational cost advantages that were anticipated. Secondly, and most important, has been out-of-control labor costs. US Air's stronghold was in the Northeastern United States. The strongest labor unions are located in this part of the country and prior management was completely ineffective in obtaining any concessions from these unions.

In spite of high costs, US Air had grown to become the nation's sixth largest carrier. However, bankruptcy and recent press articles indicate a large measure of uncertainty in their future path.

Viva concludes that the Caribbean opportunity is likely to be free from imposing competition unless it comes from another start-up. If Viva is able to attack the market first with sufficient capitalization, it feels it will be difficult to overcome and should be able to build critical mass within two years.

Strategy and Implementation Summary

Viva's market presence will be achieved by relying on the strategy of identifying and serving a specialized niche market well.

- Media executions will utilize local media, which is highly targeted and cost effective on a cost-per-impression basis.
- Air operations will be centralized and cost effective.
- Reservations will be centralized and cost effective.
- Marketing will be media generated to the leisure market and combined media/direct sales generated to corporate accounts.

Marketing Strategy

Marketing is targeted locally. The advantage of a local and highly identifiable market is that media selections can be limited in scope. There is no need for a national media program to launch Viva. The most effective media is expected to be outdoor billboards and radio.

Other media will be local spot TV on highly visible programs such as local news and sports and local radio. Newspapers and other print will not be used.

Pricing Strategy

Due to its low cost operating structure Viva will be able to offer service at 25% less than the competitive airfares to its selected destinations from Caribbean hubs. Projected round trip fares are as follows:

ROUTE	ADVANCE
SDQ-JFK	$309
MIA-SDQ	$289
STI-JFK	$309
MIA-STI	$329
SDQ-SJU	$199
SDQ-HAV	$779
SDQ-CUN	$643

SDQ-GEO	$359

Promotion Strategy

Promotion will be primarily outdoor advertising, radio and TV targeted at the business and leisure traveler.

In addition, Viva will employ a public relations firm for both consumer and financial purposes.

The combined amount budgeted for advertising, public relations, and reservations will be held under 5% of sales. Thus, the first year expenditure in these categories is expected to be $1.8 million. Past experience has demonstrated that this expenditure is sufficient to launch airline service in a dual hub.

Distribution Strategy

In addition to other marketing programs outlined, Viva will also market via the World Wide Web. It will establish its own website with reservation, purchase, and payment capability.

Sales Strategy

In order to attract the business traveler without the use of frequent flyer miles, Viva will make direct sales contacts with the travel departments based corporations and businesses. It is expected that its cost structure will be attractive to these businesses. It expects business travel to amount to at least 25% of its over-all revenue.

The original background of Auxer is as follows:

The Auxer Group, Inc. was incorporated in Idaho on June 24, 1920 under the name "The Auxer Gold Mines, Inc." The Auxer Group's original business was mining. Auxer's life was changed from a life of 50 years to a term of existence of perpetuity on August 27, 1960. In 1972 the mining assets were transferred to Idora Silver Mines, Inc. and Auxer maintained a dormant status for a majority of the 1970's and 1980's.

Effective May 2, 1994, we began trading on the OTC Bulletin Board under the symbol AUXI. On April 18,1995, Auxer acquired all of the issued and outstanding shares of CT Industries, which became our wholly owned subsidiary and issued 4,000,000 shares of our common stock to shareholders of CT Industries. CT's assets included the distribution rights to an oil treatment formulation, called Formula 2000. At such time, Auxer moved its offices to Ridgewood, New Jersey. Auxer continued to develop the engine treatment and test market the product it acquired from CT Industries through infomercials and by sponsoring regional races.

In 1996, Auxer established Wayne, New Jersey as its principal place of business and acquired the issued and outstanding shares of two companies. On February 8, 1996, it acquired Universal Filtration Industries, Inc. a company that manufactured and delivered products for dry cleaners. Auxer issued 1,500,000 of its shares of common stock to Universal Filtration shareholders for all the outstanding shares of Universal Filtration. 500,000 of the 1,500,000 shares were issued and delivery was contingent upon meeting various performance objectives.

On March 24, 1999, our board of directors approved closing down Universal Filtrations operating account. Currently, Universal Filtration is dormant with no operating activity. Universal Filtration is no longer an active subsidiary. No products are currently being developed or marketed.

On October 25, 1996, Auxer acquired Harvey Westbury Corporation, Inc. a light manufacturer and wholesaler of aftermarket automotive products. Auxer issued 170,000 shares of its common stock to Harvey Westbury shareholders for all outstanding shares of Harvey Westbury Corp. Consideration value was based upon the market value of Auxer's securities at the time of the acquisition.

In August 1997, shareholders of Auxer voted to exchange their shares on a one for one basis for shares in The Auxer Group, Inc., the new Delaware corporation.

The Auxer Group, was incorporated in the State of Delaware on August 11, 1997 and was authorized to issue 25,000,000 shares at $.001 par value. Of those shares, 20,000,000 shares were common stock, while the remaining 5,000,000 shares were preferred stock. On September 22, 1997, the Auxer Group filed an amendment to its articles of incorporation whereby it increased its authorized shares to 75,000,000. Of those shares, 50,000,000 shares are preferred stock. In August 1997, Auxer merged into the Auxer Group. Effective on or about August 7, 1997, the Auxer Group began trading on the OTC Electronic Bulletin Board under the symbol AXGI. In June 1998, the Auxer Group divested itself of its software business for the amount of the investment, $353,000, which was received in the form of a promissory note. As of September 30, 1999, the Auxer Group determined the collectability of the promissory note was doubtful and wrote it off.

On March 19, 1999, the Auxer Group amended its articles of incorporation to increase the number of shares the Auxer Group had authority to issue to 175,000,000 shares. Of such shares, 150,000,000 shares are common stock, while the remaining 25,000,000 shares are preferred stock.

On April 22, 1999, the Auxer Group purchased automotive parts inventory from Ernest DeSaye, Jr., employed Mr. DeSaye and placed these assets in Hardyston Distributors, Inc., one of the Auxer Group's wholly owned subsidiaries. Hardyston was incorporated in New Jersey on April 22, 1999. The Auxer Group issued 836,700 shares of its common stock plus $15,000 cash for the purchase of the automotive parts inventory to Ernest DeSaye, Jr.

Effective September 4, 1999, the Auxer Group began trading on the National Quotation Service Pink Sheets because it did not comply with the OTC Bulletin Board Eligibility Rule.

Effective June 6, 2000, Auxer complied with the OTC Bulletin Board Eligibility Rule and it began trading on the OTC Bulletin Board.

On July 12, 2000 the Auxer Group's board of directors approved the formation of a telecommunication group for the purpose of acquiring and/or investing in Telecommunications companies and/or related technology.

In July 2000, the Auxer Group signed two letters of intent. One letter of intent was with Sponge Technologies to acquire assets of a switch operation. The other was with Clifton Telecard Alliance, a northeast United States distributor of prepaid phone cards, to acquire its assets.

In August 2000, shareholders of Auxer voted to amend its articles of incorporation to increase its authorized number of shares of common stock to 1,000,000,000.

Auxer Telecom Inc. was incorporated on August 7, 2000 in Delaware. The Auxer Group acquired 2 telecommunications excel switching platforms, which is a series of equipment that enables companies to track and bill telecommunications traffic. These assets were placed into Auxer Telecom Inc. on August 24, 2000. At such time, Auxer Telecom Inc. was one of the Auxer Group's wholly owned subsidiaries. In August 2000, the Auxer Group added two members to the Auxer Telecom team: Samir Khalaf and Richard Lydiate. Mr. Khalaf is a special consultant in telecommunications, financing, acquisitions and international business. Richard Lydiate was responsible for the transition and overseeing of the switch operations group in Los Angeles, California. Mr. Lydiate also assembled a management team with experience in telecommunications sales & marketing, engineering, switch operations and customer services.

On September 21, 2000, the Auxer Group purchased the assets of Clifton Telecard Alliance, Inc., employed Mustafa Qattous and placed these assets in Clifton Telecard, Inc., one of the Auxer Group's wholly owned subsidiaries. Clifton Telecard, Inc. was incorporated in Delaware on August 7, 2000. The Auxer Group issued 2,000,000 shares of its common stock plus $500,000 in cash and $200,000 in promissory notes to the shareholders of Clifton Telecard Alliance, Inc.

On March 9, 2001 CT Industries, Inc.'s Board of Directors approved the expansion of its business focus to include telecommunications related business.

On May 16, 2001, The Auxer Group sold 100% of the stock of Clifton Telecard, Inc.

On March 18, 2002, The Auxer Group dissolved its subsidiary Auxer Telecom, Inc., a Delaware corporation.

Neither the Auxer Group nor any of its subsidiaries has filed any petition for bankruptcy and is not aware of any actions related to bankruptcy. Furthermore, there are no known personnel of the Auxer Group who currently have any petitions filed under the Bankruptcy Act or under any state insolvency laws.

Employees

The Auxer Group and its subsidiary has 1 employee, Robert J. Scott. Our sole employee is not covered by labor agreements or contracts.

ITEM 2. DESCRIPTION OF PROPERTY

We presently utilize approximately 500 square feet of office space located at 954 Business Park Drive, Suite #2, Traverse City, MI 49686. We do not pay any rent for this space. Our sole officer and director is the sole owner of a professional corporation that pays $500 per month for this space.

ITEM 3. LEGAL PROCEEDINGS

(1) The Auxer Group, Auxer Telecom, Inc. and CT Industries, Inc. vs. Husni Hassan, Clifton Telecard Alliance, Kattosko Communications, Mohd Qattous and Mustafa Qattous - Superior Court of New Jersey, Law Division, Passaic County - Index No. L1120-02, filed on February 22, 2002. Auxer is requesting a sum of $1,250,000 plus interest for default of promissory note, violation of stock purchase agreement and

violation of employment contract. On April 12, 2002, Clifton Telecard Alliance, Kattosko Communications, Mohd Qattous and Mustafa Qattous filed a counterclaim for violation of stock purchase agreement. The parties have entered into settlement negotiations. The present proposal is for the defendant, Kattosko Communications, to pay the plaintiffs $15,000. In return for such consideration, plaintiffs agree to allow Mustafa Qattous' stock to be traded and sold and undertake certain filings and provide other financial information for Clifton Telecard, Inc.

(2) Trans National Communications vs. Auxer Telecom Inc. dba Auxer Group- Superior Court of New Jersey Law Division, Passaic County - Docket No. L793-02. On April 17, 2002, a judgment in the amount of $339,381.84 was obtained against the defendants. The plaintiff, Trans National Communications attached Auxer's bank account even though the responsible party was Auxer Telecom. Auxer's litigation counsel successfully separated the defendants in this case and the judgment is only against Auxer Telecom Inc., Auxer's inactive subsidiary. The attachment on Auxer's bank account should be released shortly. Auxer does not intend to contest the judgment against Auxer Telecom Inc. since it was dissolved on March 18, 2002.

(3) International Access dba Access International, Inc. v. CT Industries, Inc. - Los Angeles Superior Court, Central District - Case No. BC 282393, filed on September 30, 2002. International Access ("IA") claims that CT Industries, Inc., Auxer's subsidiary, entered into an agreement (Switch Port Lease and Service Agreement) with IA whereby IA would provide one year of telecommunications services to CT Industries. IA claims it provided the services and was not paid because checks from CT Industries were returned for insufficient funds. IA is requesting payment of $76,095.34 plus 10% interest per annum from March 13, 2002. Auxer does not intend to respond to this lawsuit and will allow a judgment to be entered against CT Industries, its inactive subsidiary.

(4) Mahure, LLC vs. Auxer Group, Inc. - Superior Court of New Jersey, Law Division, Passaic County; Docket No. L-4245-02. Filed August 14, 2002. Mahure, LLC, was Auxer's landlord for the premises known as 12 Andrews Drive, West Patterson, New Jersey, Auxer's former business address. It is suing Auxer for failure to pay base rent of $7,083.33 from October 2001 through August 2002, plus 50% of real estate taxes, insurance premiums and other fixed charges contained in Auxer's lease. Mahure, LLC is requesting $58,465.49 attorney's fees, cost of suit and interest. Auxer is trying to settle this matter.

(5) Canete Landscape, Inc. vs. Auxer Group - Superior Court of New Jersey, Law Division, Passaic County - Docket No. DC-11893-02. Filed October 25, 2002. Plaintiff, Canete Landscape claims that Auxer owes them $2,353.90 together with interest and costs of suit. Auxer intends to settle this matter.

(6) Colbie Pacific Capital - On April 24, 2002, Auxer entered into a Modification and Restructuring Agreement with Colbie Pacific Capital. The agreement required Auxer to make a $350,000 payment to Colbie by September 28, 2002. Auxer failed to make such payment and the sum of $450,000 is now due to Colbie. On October 8, 2002, Auxer received a settlement offer from Colbie's attorney whereby Colbie agreed to allow Auxer to sell certain assets and make the required payment. Auxer is trying to sell such assets, specifically telecommunications switching equipment.

(7) Abel Estrada vs. CT Industries, Inc. - Labor Commissioner, State of California - State Case Number 06-67045 JAH - Hearing Date: November 20, 2002 in Los Angeles, California. Abel Estrada, a former employee of Auxer's subsidiary, CT Industries, Inc., filed a claim against CT in the amount of $10,376.08 with the Labor Commissioner, State of California, for the following claims: unpaid wages -

$1,068; unpaid commissions - $8,000; unpaid vacation time - $861.33; unpaid expenses $43.75; and unauthorized deduction from wages - $403.00. CT Industries does not intend to appear at the hearing and contest this matter.

(8) Ronald Shaver and Ryan Shaver - (a) On September 30, 2002, Auxer's litigation counsel sent a letter to Ryan Shaver, Auxer's former employee, requesting the return of equipment and a data base taken by Ryan and his brother, Ronald Shaver, Auxer's former officer; (b) On October 30, 2002, Ronald Shaver sent Auxer a letter dated October 10, 2002, from the State of New Jersey, Department of the Treasury, Division of Taxation regarding outstanding tax liabilities for Clifton Telecard Inc., formerly owned by Auxer; and (c) On August 30, 2002, Auxer received letters from Ryan Shaver and Ronald Shaver requesting payments Auxer owed each of them under their terminated employment agreements, continuation of healthcare, settlement of cash compensation and equity obligations. They did not specify the amount owed.

(9) Panel Prints Inc. v. Harvey Westbury Corporation - Superior Court of New Jersey, Law Division, Passaic County - Docket No. DC-004164-02. Auxer agreed to pay Panel Prints $3,000. To date, Auxer has paid it $1,500 and is paying the balance of $1,500 at a rate of $500 per month.

(10) One of Auxer's shareholders, Daniel Kahraman, has requested that Auxer have an annual shareholders meeting. Auxer informed him that it does not have sufficient funds to undertake its annual meeting. Mr. Kahraman has responded that he will be taking legal action against Auxer in the future.

(11) Paul R. Lydiate - Labor Claim in California against Auxer Telecom Inc. for $20,192. Auxer did not appear at the hearing on May 6, 2002. Auxer Telecom Inc. was dissolved on March 18, 2002.

Other than as stated above, we are not currently aware of any other pending, past or present litigation that would be considered to have a material effect us. There are no known bankruptcy or receivership issues outstanding and we have no known securities law violations. Additionally, we have no known legal proceedings in which certain corporate insiders or affiliates of us are in a position that is adverse to us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

As of April 15, 2003, we had 430 shareholders of record. However, based on information received from brokers and others in fiduciary capacities, we estimate that the total number of shareholders of our common stock exceeds 1,000. Our shares of common stock are currently traded on the OTC Electronic Bulletin Board under the symbol "AXGI".

The reported high and low bid prices for our common stock are shown below for each quarter during the last three complete fiscal years. The high and low bid price for the periods in 2001 and 2002 shown below are quotations from the OTC BB. The quotations reflect inter-dealer prices and do not include retail mark-ups, mark-downs or commissions. The prices do not necessarily reflect actual transactions.

Period	HIGH BID	LOW BID
2002		
First Quarter	0.009	0.004
Second Quarter	0.036	0.006
Third Quarter	0.020	0.003
Fourth Quarter	0.028	0.002
2001		
First Quarter	0.078	0.047
Second Quarter	0.05	0.01
Third Quarter	0.02	0.0060
Fourth Quarter	0.01	0.0050

DIVIDENDS

We do not intend to retain future earnings to support our growth. Any payment of cash dividends in the future will be dependent upon: the amount of funds legally available therefore; our earnings; financial condition; capital requirements; and other factors which our Board of Directors deems relevant.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The following discussion should be read in conjunction with the consolidated financial statements and notes. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from Management's expectations. Factors that could cause differences include, but are not limited to, continued reliance on external sources on financing, expected market demand for the Auxer Group's products, fluctuations in pricing for products distributed by the Auxer Group's subsidiaries and products offered by competitors, as well as general conditions of the telecommunications and automotive marketplace.

As of January 15, 2003, the Auxer Group is a holding company that consists of one subsidiary, Viva Airlines, Inc.

Results of Operations for the Three Months Ended December 31, 2001 and 2002.

The Auxer Group had sales of $138,518 for the quarter ended December 31, 2002 as compared to sales of $543,420 for the quarter ended December 31, 2001. The decrease in sales was attributed to the decrease in prepaid phone card sales as well as the decrease in automotive sales.

The Auxer Group had net losses of $112,651 for the quarter ended December 31, 2002 as compared to net losses of $765,282 for the quarter ended December 31, 2001. The decrease in net losses was primarily attributed to the relative decrease in sales combined with the reduced General and Administrative expenses initiated as part of the restructuring in the first quarter of 2002.

The Auxer Group had general administrative expenses of $21,567 for the

Quarter ended December 31, 2002 as compared to general administrative expenses of $550,659 for the quarter ended December 31, 2001. The decrease in these expenses was attributed to the restructuring initiative set forth in the first quarter of 2002.

The Auxer Group had interest expenses of $53,437 for the quarter ended December 31, 2002 as compared to $36,556 for the quarter ended December 31, 2001. The increase in these expenses was attributed to the high rate interest loans acquired to fund the business operations and purchase needed inventory.

Results of Operations for the Twelve Months Ended December 31, 2001 and 2002

The Auxer Group had sales of $1,418,198 for the twelve-month period ended December 31, 2002 as compared to sales of $2,714,017 for the twelve-month period ended December 31, 2001. The decrease in sales was attributed to the decrease in prepaid phone card sales as well as the decrease in automotive sales.

The Auxer Group had net losses of $1,151,488 for the twelve-month period ended December 31, 2002 as compared to net losses of $3,802,961 for the twelve-month period ended December 31, 2001. The decrease in net losses was primarily attributed to the restructuring initiative set forth in the first quarter of 2002.

The Auxer Group had general administrative expenses of $879,760 for the twelve-month period ended December 31, 2002 as compared to general administrative expenses of $3,174,608 for the twelve-month period ended December 31, 2001. The decrease in these expenses was attributed to the restructuring initiative set forth in the first quarter of 2002.

The Auxer Group had interest expenses of $156,801 for the twelve-month period ended December 31, 2002 as compared to $517,905 for the twelve-month period ended December 31, 2001. The decrease in these expenses was due to the reduction of the interest from the convertible note, which was a one-time expense.

Our principle source of revenue for the three-month period ending December 31, 2002 was the sale of the automotive inventory. Additional funding was provided by an approved banking credit line; as well as substantial loan contributions from the President and CEO. The company’s telecommunications subsidiaries were unable to continue to remain current on their terms with its carriers, which have resulted in the loss of its carriers, causing a termination of service. As of the twelve month period ended December 31 2002, the Telecommunications subsidiaries are inactive.

On January 3, 2002, The Auxer Group announced restructuring to accommodate future acquisition opportunities. The restructuring is to take place during the first quarter. Management has agreed to defer compensation for Mr. Chiaramonte, CEO. This restructuring phase has continued through the third quarter of 2002. To date, Management’s restructuring efforts have resulted in a cumulative reduction of general & administrative expenses in excess of $1,765,000. Additionally, the company has relocated its administrative and operational facilities in a continuing effort to reduce current expenses.

On January 11, 2002, CT Industries introduced its new website, www.ctiprepaid.com. This site is an informational site on CT Industries' products. Auxer also plans to introduce new sites for its investor and distributor companies as well. As of November 15, 2002, no new sites have been introduced.

On March 15, 2002, the Board of Directors approved the dissolution of Auxer Telecom and consolidation of the telecom assets into CT Industries. Auxer

Telecom was dissolved on March 18, 2002. Management’s plan was for CT Industries to continue to distribute prepaid phone cards. Due to Auxer’s inability to raise additional external financing CT Industries has been unable to continue to remain current on their terms with its carriers and has resulted in the loss of its carriers which caused a termination of service. As of November of 2002, the Telecommunications subsidiaries are inactive.

On April 15, 2002, Auxer announced its initial phase of restructuring neared completion. The company announced a reduction in loss due to restructuring. The reduction in losses and reduction in general administrative expenses continued during the three month period ended June 30, 2002 as well as the three month period ended September 30, 2002. As of the three month period ended December 31, 2002 the company completed it’s restructuring plans.

On May 2, 2002, Auxer announced it has entered into an agreement with certain debenture holders to settle its convertible debentures for $1 Million. Under the terms of the agreement, 92 Million shares of common stock which were registered under Form SB2 were issued and placed in escrow and a lock up arrangement. Upon the debenture holders receiving the settlement payment, through a third party, the registration and debenture agreements are to be retired. As of the three month period ended September 30, 2002, the debenture holders have not received adequate funds from the third party to retire their debenture. Furthermore, the agreement has been terminated for lack of funding and is now in negotiations for future settlement.

On May 7, 2002, Auxer announced that the Board of Directors is focusing its corporate resources on sourcing acquisition candidates in the telecommunications and technology industry sectors. Management has since identified candidates to invest in and/or acquire within the Transportation Industry.

On May 21, 2002, Auxer announced an increase in revenues and a reduction of expenses due to its restructuring initiatives. While the company’s revenues have decreased; the company expenses continued to decrease in the three months ended September 30, 2002. As of the three months ended December 31, 2002, the company’s comparative interest expenses from 2001 have increased due to high rate interest loans acquired to fund continuing operations and purchase inventory. However, overall expenditures have comparatively decreased from 2001.

On June 20, 2002, Auxer announced sales for products sold by its automotive group increased compared to last year for the three month period ended March 31, 2002 and March 31, 2001, respectively. Sales in the forth quarter ended December 31, 2002 has decreased compared to sales in the forth quarter ended December 31, 2001. These results are primarily a result of the operating subsidiaries inability to purchase adequate inventory to grow and/or maintain sales of the telecommunications and automotive products.

On July 3, 2002, Auxer announced Harvey Westbury completed an agreement to produce, manufacture and distribute a line of motor vehicle filters. The company plans to introduce this line at the 2002 AAPEX Show in Las Vegas. As of the third quarter ending September 30, 2002, Auxer has been successful in commencing its launch of their new Diamond™ Oil & Air filter lines. However, the new product lines were not introduced at the 2002 AAPEX Show due to financial restrictions from the restructuring initiated in January 2002.

On September 12, 2002, Auxer announced that it launched a search for an interim CEO to focus on the company’s acquisition strategy. As of November 15, 2002, the company has reviewed several acquisition candidates, but has not made any final decisions regarding the position. Subsequent events to the three month period ended December 31, 2002, the company completed a merger transaction, which included the replacement of the current CEO in office.

On December 2, 2002, Auxer announced that is signed a letter of intent to acquire Viva Airlines based in San Juan, Puerto Rico. Subsequent events to the period ended December 31, 2002 show that this transaction was completed in January 2003.

On December 12, 2002, Auxer announced that the merger transaction with Viva Airlines was approaching finalization and to report that Viva had entered into a $500,000 advertising promotion. Subsequent events to the period ended December 31, 2002 show that this transaction was completed in January 2003.

On December 17, 2002, Auxer announced that its merger candidate, Viva Airlines was planning to change its name to Viva International, Inc. As of December 31, 2002, the name change had not been completed.

On December 19, 2002, Auxer announced current events occurring with its merger candidate Viva Airlines.

Subsequent events to the forth quarter ending December 31, 2002, we entered into a stock exchange agreement and plan of reorganization with Viva Airlines in January 2003.

Sources of Liquidity

For the quarter ended December 31, 2002, we paid for operations through substantial loan contributions by the President and CEO. We had Notes Payable to shareholders of $174,528, had other notes payable of $608,925, and notes payable convertible debt of $346,841 on December 31, 2002. We have a loan outstanding against its inventory of $23,882 under a security agreement with Quantum Corporate Funding Ltd. We provided guarantees of the repayment of loans. We did not sell or issue any common stock to provide for services rendered, consulting requirements and operating and investment activities during the quarter ended December 31, 2002.

In comparison for the quarter ended December 30, 2001, we paid for operations by raising $711,887 through debt borrowing after payment to short term debts. We had Notes Payable to shareholders of $113,054, had Other Notes Payable of $762,504 and notes payable convertible debt of $911,685 on December 31, 2001. We had loans outstanding against our credit line of $0 under a security agreement with Merchant Financial Corporation to borrow money secured by the receivable evidenced by invoices of Harvey Westbury Corp. We have provided guarantees of the repayment of loans. Merchant agreed to lend an amount equal to 75% of the net value of all Harvey Westbury accounts. We issued common stock of $1,436,600 to provide for services rendered and consulting requirements.

ITEM 7. FINANCIAL STATEMENTS

(SEE EHHIBIT "C")

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On March 19, 2002 we dismissed Kaloseih, Shackil & Meola, CPAs, P.C. as our principal accountant and engaged Kempisty & Company, Certified Public Accountants, P.C., as our principal independent accountants to audit our financial statements for the year ended December 31, 2001.

The reports of Kaloseih, Shackil & Meola, CPAs, P.C. on our financial statements for the years ended December 31, 2000 and December 31, 1999 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

The decision to change accountants was approved by our Board of Directors. Our Board of Directors determined that our auditing needs could be handled by Kempisty & Company, Certified Public Accountants, P.C., as efficiently and more economically compared to the former accounting firm.

During the years ended December 31, 2000 and December 31, 1999 and through March 19, 2002, there were no disagreements with Kaloseih, Shackil & Meola, CPAs, P.C. on any matter of accounting principles or practices, financial statement disclosures or audit scope or procedure, which disagreements if not resolved to the satisfaction of Kaloseih, Shackil & Meola, CPAs, P.C. would have caused them to make reference in their reports on the financial statements for such periods.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS: COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Our directors and officers as of December 31, 2002, are set forth below.

NAME	AGE	POSITION
Eugene Chiaramonte, Jr.	56	Director, Treasurer Secretary and Chief Executive Officer
Ernest DeSaye, Jr.	37	Manager, Harvey Westbury

Eugene Chiaramonte Jr. has served as Director, President and Chief Executive Officer of the Auxer Group since April 1995. He assumed the position of Secretary and Treasurer in 1998. Mr. Chiaramonte was a founder and has served as Director and Secretary of the Auxer Group's subsidiary, CT Industries since June 1994. Additionally, he has served as Director and Secretary of the Harvey Westbury Corp. since October 1996 and a co-founder, Director and Secretary of Hardyston Distributors since April 1999, is a Director and Secretary of Auxer Telecom Inc. since August 2000.

Ernest DeSaye has served as the Manager for Hardyston Distributors, doing business as The Mechanics Depot, from April 1999 until the middle of 2001. At such time, he became the manager of Harvey Westbury Corp. From 1991 to April 1999, Mr. DeSaye had operated as a sole proprietor distributing automotive parts and accessories to the local automotive community. From 1981 to 1991,he was a chief mechanic and co-owner at Vernon Transmission and Auto Repair.

Our directors and officers as of January 15, 2003, are set forth below. The directors hold office for their respective term and until their successors are duly elected and qualified. Vacancies in the existing Board are filled by a majority vote of the remaining directors. The officers serve at the will of the Board of Directors.

Name	Age	Position

Robert J. Scott	54	President, Chief Executive Officer, Chief Financial Officer and Director
Rudy Dominguez		President and Chief Operating Officer – Viva Airlines, Inc.
Oscar Hasan		Vice President – Sales and Marketing – Viva Airlines, Inc.

Robert J. Scott has served as our Director, President, Chief Executive Officer and Chief Financial officer since January 15, 2003. From 1997 until the present, Mr. Scott has been the Chief Executive officer of Robert J. Scott, P.C., a professional corporation practicing accounting. From May 2002 until January 2003, Mr. Scott was the Secretary and Treasurer of Renegade Venture Corporation. He was responsible for all financial and accounting aspects of such business. From May 2002 until January 2003, Mr. Scott was Chief Financial officer of Hamilton Aerospace Technologies, Inc. He was responsible for all financial and accounting aspects of such business. From July 1997 until April 2000, Mr. Scott was the Executive Vice President and Chief Financial Officer of Tri-Financial Group, Inc. He was responsible for all financial, accounting and administration aspects of such business. In 1971, Mr. Scott received his Bachelor of Science degree in Business Administration from Michigan Technological University.

Rudy Dominguez was recently appointed President and Chief Operating Officer of our subsidiary, Viva Airlines, Inc. From 2000 until the present, Mr. Dominguez was the President for Airframe Consultants, Inc. based in Miami, Florida. He was responsible for the consulting of financial and technical analysis relating to the purchase, lease and maintenance of heavy transport aircraft and aviation related businesses. From 1998 until 2000, he was the Chief Operating Officer of Commercial Jet, Inc. based in Miami, Florida. He was responsible for the day-to-day operations of a major FAA licensed repair station based at Miami International Airport. Mr. Dominguez received his Bachelor of Science degree in legal studies from barry University, Miami, Florida.

Oscar Hasan was recently appointed Vice President – Sales and Marketing of our subsidiary, Viva Airlines, Inc. From February 2003 until the present, Mr. Hasan has been the managing partner of Solaris Holdings, LLC, based in Roswell, Georgia. He is involved in the day-to-day management of this telecom company. From July 199 until January 2003, Mr. Hasan was the Vice president of Sales and marketing Partner of Venture Telecom based in Norcross, Georgia. He was responsible for the design, negotiation and implementation of sales programs for international markets. Mr. Hasan received his bachelor of Arts with a major in marketing from Georgia State University in 1987.

CERTAIN LEGAL PROCEEDINGS

No director, nominee for director, or executive officer of the Company has appeared as a party in any legal proceeding material to an evaluation of his ability or integrity during the past five years.

Compliance with Section 16(a) of the Exchange Act

We have not filed a Form 5 for our fiscal year ended December 31, 2002.

ITEM 10. EXECUTIVE COMPENSATION

The following information relates to compensation received by our Chief Executive Officer in 2002, and to our executive officers who were serving as of December 31, 2002, whose salary and bonus during fiscal 2002 exceeded $100,000 or we determine that disclosure should be made.

Summary Compensation Table
<TABLE>
<CAPTION>

Name & Principal Position	Year	Salary	Bonus	Other Annual Compensation	All Other Compensation
Eugene Chiaramonte	2002				
	2001	$136,000	$ 0	$ 0	$ 0
	2000	$78,000	$ 0	$ 0	$ 0
Chief Executive Officer (1)					
Ernest DeSaye Jr.	2002				
	2001	$ 50,000	$ 0	$ 0	$ 0
	2000	$ 47,300	$ 0	$ 0	$ 0
Hardyston Operations					

(1) Mr. Chiaramonte was granted options to purchase 7,500,000 shares under Auxer's 2000 stock option plan on June 26, 2001 of the Auxer Group's common stock.

The following table sets forth information with respect to the grant of options to purchase shares of common stock during the fiscal year ended December 31, 2002, to each person named in the Summary Compensation Table.

Option/SAR Grants In The Last Fiscal Year

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARs GRANTED (#)	% OF TOTAL OPTIONS/SARs GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE ($/SH)	EXPIRATION DATE
<S>	<C>	<C>	<C>	<C>

Eugene Chiaramonte, Jr.   100,000   5%
$0.05   5-1-2005
7,500,000   39%
$0.01   6-15-2006

Ernest DeSaye, Jr.   100,000   5%
$0.05   5-1-2005

The above options were cancelled effective with the execution of our agreement with Viva Airlines, Inc. on January 15, 2003.

The following table sets forth information with respect to the exercise of options to purchase shares of our common stock during the fiscal year ended December 31, 2002, to each person named in the Summary Compensation Table and the unexercised options held as of the end of 2001 fiscal year.

Aggregated Option/SAR Exercises In Last Fiscal Year And 2001 Fiscal Year End Option/SAR Values
<TABLE>
<CAPTION>

NUMBER OF   VALUE OF

SECURITIES   UNEXERCISED
SHARES   VALUE
UNDERLYING   IN-THE-MONEY
ACQUIRED   REALIZED
UNEXERCISED   OPTIONS/SARs AT
ON   ($)
OPTIONS/SARs AT   2000 FISCAL YEAR

2000 FISCAL   END ($)
EXERCISE
YEAR END (#)   EXERCISEABLE/
(#)
EXERCISABLE/   UNEXERCISABLE
NAME
UNEXERCISABLE

Eugene Chiaramonte, Jr.   0   0   NONE
0
Ernest DeSaye Jr.   0   0   NONE
0

Long-Term Incentive Plans-Awards In Last Fiscal Year

NUMBER OF   PERFORMANCE OR
ESTIMATED FUTURE
SHARES,   OTHER PERIOD   PAYOUTS
UNDER NON-
UNITS OR   UNTIL   STOCK
PRICE-BASED
OTHER RIGHTS   MATURATION OR
PLANS
NAME   PAYOUT

THRESHOLD	TARGET		
Eugene Chiarmonte, Jr.		0	0
0	0		
Ernest DeSaye Jr.		0	0
0	0		

Executive Employment Agreements:

There are presently no employment agreements in effect.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Shareholders

The following table sets forth information regarding the Auxer Group's common and preferred stock beneficially owned on April 15, 2003, for (i) each shareholder known by the Auxer Group to be the beneficial owner of 5% or more of the Auxer Group's outstanding common and preferred stock, (ii) each of the Auxer Group's executive officers and directors, and (iii) all executive officers and directors as a group. In general, a person is deemed to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the disposition of such security. A person is also a beneficial owner of any security of which the person has the right to acquire beneficial ownership within 60 days. At April 15, 2003, there are 671,211,566 shares of common stock outstanding

Class of Security- Common Stock

Name of Beneficial Identity of Group	Number of Shares of Common Stock Beneficially Owned	% of Beneficial Ownership
Robert J. Scott 954 Business Park Drive Traverse City, Michigan 49686	41,000,000	6.10%
Bash, LLC (1) 300 Delaware Avenue Wilmington, Delaware 19899	41,000,000	6.10%
Lazaro Canto Bibul Street #15 Pasco del Parque Rio Pedras, Puerto Rico	41,000,000	6.10%
Enterprises D & D (2) 201 W. Park Drive Miami, Florida 33172	41,000,000	6.10%
Thomas K. Jolitz 417 Barlow Street Traverse City, Michigan 49686	41,000,000	6.10%

UPO, LLP (3) 4166 Evelyn Street Traverse City, Michigan 49686	41,000,000	6.10%
All Executive Officers and Directors as a Group (1 person)	41,000,000	6.10%

(1) Brian A. Sullivan, our general legal counsel, is the beneficial owner of Bash, LLC.
(2) Is the beneficial owner of Enterprises D & D
(3) Marilyn Riggs is the administrator of the UPO, LLP.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

We presently utilize approximately 500 square feet of office space located at 954 Business Park Drive, Suite #2, Traverse City, MI 49686. We do not pay any rent for this space. Our sole officer and director is the sole owner of a professional corporation that pays $500 per month for this space.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits. (i) Stock Exchange Agreement and Plan of Reorganization between us and Viva Airlines, Inc. (to be filed by amendment).

(b) Reports on Form 8-K.
(i) On March 19, 2002, we filed an 8-K to report the change in our accountants. On May 29, 2002, we filed an amended 8-K regarding the same issue.
(ii) On April 10, 2002, we filed an 8-K to disclose the dissolution of one of our subsidiaries, Auxer Telecom, Inc.
(c) Audited Financial Statements FY 2002

ITEM 14. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Our principal executive officer and principal financial officer evaluated our disclosure controls and procedures (as defined in rule 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) as of a date within 90 days before the filing of this annual report (the Evaluation Date). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of the Evaluation Date, the disclosure controls and procedures in place were adequate to ensure that information required to be disclosed by us, including our consolidated subsidiaries, in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported on a timely basis in accordance with applicable rules and regulations. Although our principal executive officer and principal financial officer believes our existing disclosure controls and procedures are adequate to enable us to comply with our disclosure obligations, we intend to formalize and document the procedures already in place and establish a disclosure committee.

Changes in internal controls

We have not made any significant changes to our internal controls subsequent to the Evaluation Date. We have not identified any significant deficiencies or material weaknesses or other factors that could significantly affect these controls, and therefore, no corrective action was taken.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

THE AUXER GROUP, INC.

By: /s/ Robert J. Scott

Robert J. Scott
Chief Executive Officer, President,
Chief Financial Officer and Director

Dated: April 15, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/Robert J. Scott	Chief Executive Officer, President, Chief Financial Officer and Director	April 15, 2003

CERTIFICATION
OF PRINCIPAL EXECUTIVE OFFICER
AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

I, Robert J. Scott, certify that:

1. I have reviewed this annual report on Form 10-KSB of the Auxer Group, Inc.

2. Based on my knowledge, this yearly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this yearly report;

3. Based on my knowledge, the financial statements, and other financial information included in this yearly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this yearly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   (a) designed such disclosure controls and procedures to ensure that material information relating to the a registrant is made known to me by others within those entities, particularly during the period in which this yearly report is being prepared;

   (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this yearly report (the "Evaluation Date"); and

   (c) presented in this yearly report my conclusions about effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this yearly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: April 15, 2003

/s/ Robert J. Scott

Robert J. Scott
Principal Executive Officer,
Principal Financial Officer

THE AUXER GROUP, INC.

CONSOLIDATED
FINANCIAL STATEMENTS

December 31, 2002

THE AUXER GROUP, INC.

INDEX

KEMPISTY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, P.C.
15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Auxer Group, Inc.

We have audited the accompanying consolidated balance sheets of The Auxer Group, Inc. as of December 31, 2002 and December 31, 2001 and the related statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Auxer Group, Inc. at December 31, 2002 and December 31, 2001 and the results of its' operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that The Auxer Group, Inc. will continue as a going concern. As more fully described in Note 2, the Company has incurred operating losses since inception and requires additional capital to continue operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are described in Note 2. The financial statements do not include any adjustments to reflect the possible effects on recoverability and classification of assets or the amounts and classifications of liabilities that may result from the possible inability of The Auxer Group, Inc. to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Kempisty & Company
Certified Public Accountants PC
New York, New York
April 4, 2003

THE AUXER GROUP, INC.
CONSOLIDATED BALANCE SHEETS

		December 31, 2002		December 31, 2001
ASSETS				
Current Assets				
Cash	$	10,222	$	27,616
Accounts receivable, net		15,077		166,463
Inventory (Note 4)		158,447		479,928
Prepaid expenses		55,087		-
Total Current Assets		238,833		674,007
Property plant and equipment, net of accumulated depreciation		20,397		474,360
Security deposit		5,132		54,533
Other receivables, net		-		183,900
Total Assets	$	264,362	$	1,386,800
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current Liabilities				
Accounts payable and accrued expenses (Note 5)	$	673,517	$	436,606
Credit line (Note 6)		120,731		-
Taxes payable		129,240		2,136
Deferred sales		-		373,174
Notes payable (Note 7)		908,838		758,886
Notes payable-shareholders		174,528		113,054
Total Current Liabilities		2,006,854		1,683,856
Long term debt, less current maturities (Note 7)		2,682		895,303
Common stock subject to rescission		61,250		509,000
Commitments and contingencies (Note 10)				
Stockholders' Equity (Deficit) (Note 14)				
Common stock, 1,000,000,000 shares authorized at $.001 par value; issued and outstanding 357,022,730 at December 31, 2002, 138,117,072 at December 31, 2001		357,023		138,117
Preferred stock 25,000,000 shares authorized at $.001 par value; 1,500,000 shares outstanding at December 31, 2002 and 2,750,000 at December 31, 2001.		1,500		2,750
Additional paid-in capital		10,414,189		9,585,421
Accumulated deficit		(12,579,136)		(11,427,647)
Stockholders' (Deficit)		(1,806,424)		(1,701,359)
Total Liabilities and Stockholders' (Deficit)	$	264,362	$	1,386,800

See Notes to Financial Statements

THE AUXER GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31, 2002	For the Year Ended December 31, 2001
Sales revenues	$ 1,418,199	$ 2,714,018
Cost of sales	1,123,761	2,622,727
Gross profit	294,438	91,291
General and administrative expenses	859,761	3,174,644
Loss on impairment of fixed assets	299,159	-
Depreciation and amortization	130,206	140,022
Interest expenses	156,801	517,905
	1,445,927	3,832,571
Loss from operations	(1,151,489)	(3,741,280)
Other income and expenses		
Interest income	-	2,466
Net loss from continuing operations	(1,151,489)	(3,738,814)
Gain (loss) from discontinued operations, net of taxes	-	(64,183)
Net loss	$ (1,151,489)	$ (3,802,997)
Gain (loss) per common share from discontinued operations	$ 0.00	$ 0.00
Net loss per common share	$ (0.01)	$ (0.03)
Weighted average shares outstanding	209,549,409	125,279,032

See Notes to Financial Statements.

THE AUXER GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY(DEFICIT)

	Common Stock ($0.001 par value)		Preferred Stock ($0.001 par value)		Capital in Excess of		
	Shares	Amount	Shares	Amount	Par Value	Deficit	Total
Balance January 1, 2001	104,037,030	$ 104,037	2,750,000	$ 2,750	$ 6,846,441	$ (7,624,650)	$ (671,422)
Common stock and warrants issued for services	6,400,000	6,400	-	-	257,600	-	264,000
Conversion of warrants issued for services	21,000,000	21,000	-	-	1,225,875	-	1,246,875
Common stock issued for conversion of notes	6,680,042	6,680	-	-	12,158	-	18,838
Interest expense on issuance of convertible debt	-	-	-	-	390,722	-	390,722
Net adjustment for common stock subject to rescission rights	-	-	-	-	852,625	-	852,625
Loss for year ended December 31, 2001	-	-	-	-	-	(3,802,997)	(3,802,997)
Balance December 31, 2001	138,117,072	138,117	2,750,000	2,750	9,585,421	(11,427,647)	(1,701,359)
Common stock issued for services	300,000	300	-	-	7,200	-	7,500
Conversion of preferred stock	12,500,000	12,500	(1,250,000)	(1,250)	(11,250)	-	-
Common stock issued for conversion of notes	69,000,000	69,000	-	-	93,151	-	162,151
Common stock issued for lock up agreement	16,319,958	16,320	-	-	22,032	-	38,352
Common stock issued for conversion of notes	102,012,221	102,012	-	-	244,830	-	346,842
interest	18,773,479	18,774	-	-	45,055	-	63,829
Cancellation of stock option plan	-	-	-	-	(20,000)	-	(20,000)
Net adjustment for common stock subject to recission rights	-	-	-	-	447,750	-	447,750
Loss for year ended December 31, 2002	-	-	-	-	-	(1,151,489)	(1,151,489)
Balance December 31, 2002	357,022,730	$ 357,023	1,500,000	$ 1,500	$ 10,414,189	$ (12,579,136)	$ (1,806,424)

See Notes to Financial Statements.

THE AUXER GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

		For the Year Ended December 31,		
		2002		2001
Operating Activities				
Net income or (loss) from continuing operations	$	(1,151,489)	$	(3,802,997)
Adjustments to reconcile net (loss) to net cash used by operating activities:				
Depreciation and amortization		130,206		140,022
Common stock issued for services		7,500		264,000
Loss on impairment of fixed assets		299,159		-
Cancellation of stock option plan		(20,000)		-
Convertible loan interest		63,829		390,722
Write off of discontinued operations		-		759,274
Loss on abandonment		-		64,183
Debt adjustment		(80,000)		-
Changes in operating assets and liabilities:				
(Increase) decrease in accounts receivable		151,386		2,081,225
(Increase) decrease in inventory		321,481		746,842
(Increase) decrease in prepaid expenses		(55,087)		33,105
(Increase) decrease in other receivables		183,900		(141,566)
Increase (decrease) in accounts payable and accrued expenses		128,682		(1,729,728)
Increase (decrease) in taxes payable		127,104		(2,136)
Increase (decrease) in deferred sales		(373,174)		(473,179)
Net cash (used) by operating activities		(266,503)		(1,670,233)
Investing Activities				
Proceeds from sale of fixed assets		-		15,998
Security deposit		-		85,949
Net cash provided(used) by investing activities		-		101,947
Financing Activities				
Borrowings/payments under line of credit agreement, net		120,731		(64,849)
Proceeds from long-term debt		-		109,836
Proceeds from short-term debt		66,904		-
Payments on long-term debt		-		(3,178)
Shareholder loan payable		61,474		25,195
Sale of common stock		-		1,246,875
Net cash provided by financing activities		249,109		1,313,879
Increase (decrease) in cash		(17,394)		(254,407)
Cash at beginning of period		27,616		282,023
Cash at end of period	$	10,222	$	27,616
Supplemental Disclosures of Cash Flow Information:				
Cash paid during year for:				
Interest	$	-	$	-
Income taxes (benefits)	$	-	$	-

See Notes to Financial Statements.

THE AUXER GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	For the Year Ended December 31, 2002	2001
Supplemental Disclosures of Cash Flow Information		
Non-cash investing and financing activities:		
Common stock issued for services	$ 7,500	$ 264,000
Common stock issued for conversion of notes	162,151	18,838
Interest expense on issuance of convertible debt	-	390,722
Net adjustment for common stock subject to recission rights	447,750	852,625
Common stock issued for lock up agreement	38,352	-
Common stock issued for conversion of notes	346,842	-
Common stock issued for interest expense	63,829	-

See Notes to Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2002

Note 1- ORGANIZATION OF COMPANY

a. Creation of the Company

Auxer Industries, Inc. (the "Company") was formed on June 20, 1920 under the laws of the State of Idaho as The Auxer Gold Mines. On May 2, 1995 the certificate of incorporation was amended to change the name of the Company to Auxer Industries, Inc.

On August 11, 1997 the Company incorporated in the State of Delaware under the name The Auxer Group, Inc. In September 1997 the shareholders of the company voted to exchange their shares on a one to one basis for shares in the new company, The Auxer Group, Inc. which became effective January 1, 1998.

b. Description of the Company

The Company is an investment holding company that is comprised of five subsidiaries: the Harvey Westbury Corporation, Hardyston Distributors, Inc., CT Industries, Auxer Telecom, Inc. and Universal Filtration Industries.

On April 18, 1995, the Company acquired CT Industries, Inc. ("CT"), a New Jersey corporation based in West Paterson, New Jersey, CT is a distributor of various automotive products.

On February 8, 1996, the Company acquired Universal Filtration Industries, Inc. ("Universal Filtration") a New York corporation. Based in West Paterson, New Jersey, Universal Filtration has developed the "Fiona Micro Screen Filter", a replacement upgrade to a component of machinery used by the dry cleaning industry.

On October 25, 1996, the Company acquired Harvey Westbury Corp. ("Harvey Westbury"), a New York corporation. Based in West Paterson, New Jersey, Harvey Westbury is a manufacturer and wholesaler of various automotive, marine and aviation products.

On April 22, 1999, the Company formed Hardyston Distributors, Inc., d/b/a The Mechanics Depot, a Nevada corporation. Based in northern New Jersey, Hardyston Distributors is an automotive parts distributor.

Note 1- ORGANIZATION OF COMPANY (continued)

On August 7, 2000, the Company formed Auxer Telecom Inc., a Delaware corporation. Auxer Telecom is a reseller of telecommunications access services with operations based in Los Angeles, CA.

On August 7, 2000, the Company formed Clifton Telecard Inc., a Delaware corporation. Based in Northern New Jersey, Clifton Telecard is a wholesale distributor of prepaid phone cards. On May 16, 2001 the Company sold Clifton Telecard Inc.

During 2001 the Company closed Auxer Telecom, Inc. and transferred its assets to Auxer, Inc., the parent company.

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company incurred net losses of $12,579,136 for the period from April 18, 1995 to December 31, 2002. These factors indicate that the Company's continuation as a going concern is dependent upon its ability to obtain adequate financing.

The Company will require substantial additional funds to finance its business activities on an ongoing basis and will have a continuing long-term need to obtain additional financing. The Company's future capital requirements will depend on numerous factors including, but not limited to, continued progress developing additional products, improved manufacturing efficiency, the building of inventory to meet fulfillment requirements for the Company's various automotive products and the completion of planned acquisitions. The Company plans to continue to engage in ongoing financing

The consolidated financial statements presented consist of the Company and its wholly owned subsidiaries CT, Universal Filtration, Harvey Westbury, Hardyston Distributors Inc. and Auxer Telecom, Inc., all of which are under common control. Material inter-company transactions and balances have been eliminated in consolidation.

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings (Loss) per share

Basic earnings (loss) per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income by the weighted average shares outstanding during the period. Diluted earnings (loss) per share is calculated by dividing net income by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. Dilutive earnings (loss) per share is not presented since diluted securities have an anti-dilutive effect.

Receivables

Allowances against receivables are calculated equal to the estimated collection losses that will be incurred in collection of all receivables and a reserve for returns and discounts traditionally taken. Estimated allowances are based on historical collection experience coupled with a review of the current status of the existing receivables, and amounted to $34,744 at December 31, 2002 and $26,505 at December 31, 2001.

Property and Equipment

Property and equipment is recorded at cost and is depreciated under the straight-line methods over the estimated useful lives of the related assets. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. During the year 2002, machinery and equipment was impaired and written down by $299,159.

Equipment and leasehold consists of the following:	December 31, 2002	December 31, 2001
Vehicles	$ 10,789	$ 29,539
Machinery and equipment	348,121	652,526
Furniture and fixtures	12,164	21,748
Leasehold improvements	0	2,121
	371,074	705,934
Less: Accumulated depreciation and amortization	(350,677)	(231,574)
	$ 20,397	$ 474,360

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Company acts as principal in its revenue generating transactions, takes title to its products, and has risks and rewards of ownership. The Company recognizes revenues as earned. Amounts billed in advance of the period in which service is rendered are recorded as a liability under "deferred revenue." The Company's revenue recognition policy is the same for each product and subsidiary.

Research and Development Expenses

Research and development costs are charged to operations when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the carrying value of long lived assets, including associated intangibles may be impaired, an evaluation of recoverability is performed by comparing the estimated future undiscounted cash flows associated with the asset to the assets carrying amount to determine if a write down to market value or discounted cash flows is required.

New Standard Adopted

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This standard supercedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The standard retains the previously existing accounting requirements related to the recognition and measurement of the impairment of long-lived assets to be held and used while expanding the measurement requirements of long-lived assets to be disposed of by sale to include discontinued operations. It also expands on the previously existing reporting requirements for discontinued operations to include a component of an entity that either has been disposed of or is classified as held for sale. Auxer adopted SFAS No. 144 on January 1, 2002. As a result of the adoption of SFAS No. 144 the Company wrote down its telecommunications switches by $299,159.

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." This standard addressess financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Auxer is required to implement SFAS No. 143 on January 1, 2003. Auxer does not expect this standard to have a material impact on its consolidated financial position or results of operations.

In April 2002, the FASB issued SFAS No. 145, which rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers" and SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements" and amends SFAS No.13, "Accounting for Leases." This statement updates, clarifies and simplifies existing accounting pronouncements. As a result of rescinding SFAS No. 4 and SFAS No. 64, the criteria in APB No. 30 will be used to classify gains and losses from extinguishment of debt. The provisions of SFAS No. 145 will be adopted by Auxer in 2003. Auxer does not expect the adoption of this standard to have a material impact on its consolidated financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This standard requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than the date of an entity's commitment to an exit plan. Auxer is required to implement SFAS No. 146 on January 1, 2003. Auxer does not expect this standard to have a material impact on its consolidated financial position or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which expands previously issued accounting guidance and disclosure requirements for certain guarantees. The interpretation requires an entity to recognize an initial liability for the fair value of an obligation assumed by issuing a guarantee. The provision for initial recognition and measurement of the liability will be applied on a prospective basis to guarantees issued or modified after December 31, 2002. Auxer does not expect this interpretation to have a material impact on its consolidated financial position or results of operations.

Note 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Accounting Standards (continued)

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - an amendment of FASB Statement No. 123, " which provides optional transition guidance for those companies electing to voluntarily adopt the accounting provisions of SFAS No.123. In addition, the statement mandates certain new disclosures that are incremental to those required by SFAS No. 123. Auxer will continue to account for stock-based compensation in accordance with APB No. 25. As such, Auxer does not expect this standard to have a material impact on its consolidated financial position or results of operations. Auxer has adopted the disclosure-only provisions of SFAS No. 148 at December 31, 2002.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51, " which requires all variable interest entities ("VIEs") to be consolidated by the primary beneficiary. The primary beneficiary is the entity that holds the majority of the beneficial interests in the VIE. In addition, the interpretation expands disclosure requirements for both variable interest entities that are consolidated as well as VIEs from which the entity is the holder of a significant amount of the beneficial interests, but not the majority. The disclosure requirements of this interpretation are effective for all financial statements issued after January 31, 2003. The consolidation requirements of this interpretation are effective for all periods beginning after June 15, 2003. Management is still assessing the impacts of this interpretation.

Note 3- ACQUISITIONS

Acquisition of Telecommunications Switch Operations

On August 24, 2000 the Company acquired two telecommunications excel switching platforms from Colbie Pacific Capital, an unrelated party, in exchange for a note payable in the amount of $558,000 (which includes imputed interest at 12% in the amount of $48,660). The Company placed these assets into its wholly-owned subsidiary, Auxer Telecom Inc., which started operations in December 2000. The note is currently in default. During 2001 the Company closed down Auxer Telecom, Inc. and transferred its assets to Auxer, Inc. The Company has determined the asset was impaired in 2002 and it was wriiten down by $299,159.

Note 3- ACQUISITIONS (continued)

Acquisition of Wholesale Prepaid Phone Distribution Operation

On September 22, 2000 the Company acquired the assets of Clifton Telecard Alliance Inc., ("CTA"), a New Jersey based telecommunications company, for a total purchase price of $964,000.

The Company paid $500,000 to the shareholders of CTA at closing, issued 3 million shares of common stock valued at $264,000, and issued a note payable to them for $200,000 due in 2001, which is more fully described in Note 7.

The excess of the amount paid over the fair value of CTA's identifiable net assets was $846,939, which was reflected in the balance sheet as goodwill.

On May 16, 2001 the Company sold Clifton Telecard Inc. The unamortized portion of goodwill of $762,245 was expensed and included in the loss from discontinued operations.

Note 4- INVENTORY

Inventory consists of raw materials, work in process and finished goods and is valued at the lower of cost determined on the first-in, first-out method or market.

Note 5- ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at December 31, 2002 and December 31, 2001:

	2002	2001
Accounts payable on trade with other vendors	$ 419,710	$ 204,385
Customer deposits	30,000	28,000
Accrued salaries	11,641	20,000
Credit card payable	83,915	-
Accrued expenses	128,251	184,221
	$ 673,517	$ 436,606

Note 6- CREDIT LINE

	2002	2001
4.76% $25,000 PNC Bank loan, monthly payment $150	$ 24,770	$ -
2% over prime $96,000, Fleet SBA loan, monthly payment 2% of principal plus interest	95,961	-
	$ 120,731	$ -

Note 7- DEBT

Security Agreement

The Company has entered into a security agreement with Merchant Financial Corp. ("Merchant") to borrow money secured by the receivables evidenced by invoices of Harvey Westbury Corp. and personal guarantees by certain officers. Merchant agreed to lend an amount equal to 75% of the net value of all Harvey Westbury's accounts receivable at an interest rate of prime plus 5%. In July 2002 this agreement was terminated and the unpaid balance at December 31, 2002 was $23,883.

Notes payable

The following is a summary of long and short-term debt at December 31:

	2002	2001
Notes payable to Creative Capital, payable on demand plus interest at a rate of 8%.	$ -	$ 80,000
Notes payable to Merchant Financial Corp. (see above)	23,883	-
Notes payable to Colbie Pacific Capital, due August 1, 2001, payable in 10 monthly principal and interest payments of $10,000 and one principal and interest payment of $458,000, secured by equipment. The note was reduced to $350,000 by Colbie if the Company paid the note by September 2002. The note is currently in default. (The note has been reinstated until a settlement can be agreed upon.)	535,523	495,855
Note payable RICOH, 60 month lease, monthly payments of $172	3,353	-
Note payable to shareholders, payable on demand with no interest	-	180,900
8% convertible debenture due January 2006	346,842	894,185
11.5% installment note, collateralized by vehicle, payable in monthly installments of $188 with the final payment due May 2003	1,919	3,249
	911,520	1,574,189
Less current maturities	(908,838)	(758,886)
Long Term Debt	$ 2,682	$ 815,303

Note 7- DEBT (continued)

Notes payable (continued)

In January 2001, the Company refinanced its note payable to certain shareholders in the amount of $551,685 and borrowed an additional $360,000 as part of an issuance of 8% convertible debentures, due on January 16, 2006, totaling $911,685. The notes are convertible by the holders into shares of the Company's common stock at any time at a conversion price per share equal to sixty-five percent (65%) (the "Discount Multiplier") of the Market Price. The notes are redeemable at the option of the Company at 130% of the principle amount plus accrued interest. In December 2001 $18,838 of the principle amount of debentures was converted into the Company's common stock. In April 2002, in May 2002 and in December 2002, $162,151, $38,352 and $346,842, respectively, of the principle amount of debenures was converted into 69,000,000, 16,319,958 and 102,012,221 shares of the Company's common stock respectively. In December 2002 $63,829 of interest was converted into 18,773,479 shares of the Company's common stock.

Note 8- INCOME TAXES

The Company provides for the tax effects of transactions reported in the financial statement. The provision, if any, consists of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities, if any, represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. As of December 31, 2002, the Company had no material current tax liability, deferred tax assets, or liabilities to impact on the Company's financial position because the deferred tax asset related to the Company's net operating loss carry forward was fully offset by a valuation allowance.

The Company has net operating loss carry forwards for income tax purposes of approximately $12,000,000 at December 31, 2002, and $11,000,000 at December 31, 2001. These carry forward losses are available to offset future taxable income, if any, and expire starting in the year 2013. The Company's utilization of this carry forward against future taxable income may become subject to an annual limitation due to a cumulative change in ownership of the Company of more than 50 percent.

	December 31, 2002	December 31, 2001
Deferred tax asset:		
Net operating loss carry forward	$ 4,054,000	$ 3,740,000
Valuation allowance	(4,054,000)	(3,740,000)
Net deferred tax assets	$ -	$ -

Note 8- INCOME TAXES (continued)

The Company recognized no income tax benefit for the loss generated for the periods through December 31, 2002.

SFAS No. 109 requires that a valuation allowance be provided if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The Company's ability to realize the benefit of its deferred tax asset will depend on the generation of future taxable income. Because the Company has yet to recognize significant revenue from the sale of its products, it believes that a full valuation allowance should be provided.

Note 9- BUSINESS AND CREDIT CONCENTRATIONS

The amount reported in the financial statements for cash, trade accounts receivable and investments approximates fair market value. Because the difference between cost and the lower of cost or market is immaterial, no adjustment has been recognized and investments are recorded at cost.

Financial instruments that potentially subject the company to credit risk consist principally of trade receivables. Collateral is generally not required.

Note 10- COMMITMENTS AND CONTINGENCIES

Leases

The Company, in 2002, has entered into new lease agreements for office and warehouse space and equipment that expire at various times through 2004. Rental expense under the operating leases for 2002 was $172,638. Remaining commitments under operating leases are as follows:

Year Ending December 31,		
2003	$	44,107
2004		33,667
	$	77,774

Note 11- SEGMENT INFORMATION

Management Policy in Identifying Reportable Segments

The Company's reportable business segments are strategic business units that offer distinctive products and services that are marketed through different channels. They are managed separately because of their unique technology, marketing, and distribution requirements.

Types of Products and Services

The Company is an investment holding company that is comprised of six subsidiaries: The Harvey Westbury Corp., Hardyston Distributors Inc., CT Industries, Auxer Telecom Inc., Clifton Telecard Inc. and Universal Filtration Industries, Inc. Harvey Westbury is a manufacturer and wholesaler of various automotive, marine and aviation products. Hardyston Distributors is a Northern New Jersey based automotive parts distributor. CT industries is a distributor of various automotive products. Auxer Telecom is a reseller of telecommunications access services. Clifton Telecard is a Northern New Jersey based wholesale distributor of prepaid phone cards. Universal filtration has in the past manufactured and distributed filters used by the dry cleaning industry and is currently inactive.

Segment Profit or Loss

The Company's accounting policies for segments are the same as those described in the summary of significant accounting policies. Management evaluates segment performance based on segment profit or loss before income taxes and nonrecurring gains and losses. Transfers between segments are accounted for at market value. Operating expenses, such as rent, utilities, payroll and insurance, are attached to a segment and identified and allocated accordingly. Substantially all of the general and administrative expenses incurred pertain to merger and acquisition expenditures, including legal, administrative and consulting fees, which are primarily allocated to the parent company.

Major Customer Information

In 2002, sales to one customer represented $36,000 of the Company's consolidated revenue. This customer is served by the automotive group's operating segment.

Note 11- SEGMENT INFORMATION (continued)

The Company's consolidated balance sheet consists of the following subsidiary components as of December 31, 2002:

	Parent	Automotive Group	Telecom Group	Intercompany Eliminations	Auxer Group Consolidated
Balance Sheet					
Current Assets	$ 163	$ 238,670	$ -	$ -	$ 238,833
Fixed Assets (net)	-	20,397	-	-	20,397
Other Assets	2,367,714	5,132	-	(2,367,714)	5,132
Total Assets	$ 2,367,877	$ 264,199	$ -	$ (2,367,714)	$ 264,362
Liabilities and Stockholders' Deficit					
Current Liabilities	$ 1,173,629	$ 1,567,376	$ 1,533,503	$ (2,267,654)	$ 2,006,854
Long Term Liabilities	-	2,682	-	-	2,682
Common Stock Subject to Rescission	61,250	-	-	-	61,250
Stockholders' Equity (Deficit)	1,132,998	(1,305,859)	(1,533,503)	(100,060)	(1,806,424)
Total Liabilities and Stockholders' Equity	$ 2,367,877	$ 264,199	$ -	$ (2,367,714)	$ 264,362

The Company's consolidated statement of operations for the year ended December 31, 2002:

	Parent	Automotive Group	Telecom Group	Intercompany Eliminations	Auxer Group Consolidated
Statement of Operations					
Revenues	$ -	$ 613,970	$ 804,229	$ -	$ 1,418,199
Costs of Goods Sold	-	488,901	634,860	-	1,123,761
Gross Profit	-	125,069	169,369	-	294,438
Operating Expenses	776,402	272,866	396,659	-	1,445,927
Net (Loss)	$ (776,402)	$ (147,797)	$ (227,290)	$ -	$ (1,151,489)

Note 11- SEGMENT INFORMATION (continued)

The Company's consolidated balance sheet consists of the following subsidiary components as of December 31, 2001:

	Parent	Automotive Group	Telecom Group	Intercompany Eliminations	Auxer Group Consolidated
Balance Sheet					
Current Assets	$ 392,277	$ 397,943	$ 264,598	$ (380,811)	$ 674,007
Fixed Assets (net)	8,285	44,469	421,606	-	474,360
Other Assets	3,446,096	8,053	96,480	(3,312,196)	238,433
Total Assets	$ 3,846,658	$ 450,465	$ 782,684	$ (3,693,007)	$ 1,386,800
Liabilities and Stockholders' Deficit					
Current Liabilities	$ 591,616	$ 2,128,585	$ 2,557,940	$ (3,592,947)	$ 1,685,194
Long Term Liabilities	893,965	-	-	-	893,965
Common Stock Subject to					-
Rescission	509,000	-	-	-	509,000
Stockholders' Equity (Deficit)	1,852,077	(1,678,120)	(1,775,256)	(100,060)	(1,701,359)
Total Liabilities and Stockholders' Equity	$ 3,846,658	$ 450,465	$ 782,684	$ (3,693,007)	$ 1,386,800

The Company's consolidated statement of operations for the year ended December 31, 2001:

	Parent	Automotive Group	Telecom Group	Intercompany Eliminations	Auxer Group Consolidated
Statement of Operations					
Revenues	$ -	$ 977,011	$ 1,805,346	$ (68,339)	$ 2,714,018
Costs of Goods Sold	-	811,707	1,879,359	(68,339)	2,622,727
Gross Profit	-	165,304	(74,013)	-	91,291
Operating Expenses	2,458,491	437,492	936,588	-	3,832,571
Income (Loss) From Operations	(2,458,491)	(272,188)	(1,010,601)	-	(3,741,280)
Other Income (Expense):					
Interest Income	1,029	-	1,437	-	2,466
Loss on Abandonment	(64,183)	-	-	-	(64,183)
Net Income (Loss)	$ (2,521,645)	$ (272,188)	$ (1,009,164)	$ -	$ (3,802,997)

Note 12- STOCK OPTION PLAN

The Company has a Stock Option Plan (the "Plan") under which selected individuals may be granted options to purchase shares of the Company's authorized but unissued common stock. The maximum numbers of shares available for issuance under the Plan is twenty five million shares. As of December 31, 2002 the maximum number of shares available for future grants under the Plan is 25,000,000 shares. Under the Plan, the option exercise price may be more, equal to or less than the fair market value of the Company's common stock at the date of grant. Options currently expire no later than 5 years from the grant date and are 100% vested. Proceeds received by the Company from the exercise of stock options are credited to common stock and additional paid in capital. Additional information regarding the Plan's stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2000	-	-
Granted	2,000,000	$ 0.05
Outstanding at December 31, 2001	2,000,000	0.05
Terminated	(2,000,000)	0.05
Outstanding at December 31, 2002	-	$ -

The Company accounts for its plan under APB Option No. 25 ("Accounting for Stock Issued to Employees"). Accordingly, compensation expense is recognized in the Company's financial statements when the exercise price of the Company's employee stock options is less than the market price of the Company's common stock on the date of grant. During 2000 the Company recorded compensation cost of $20,000 related to the stock option plan, and reversed the cost.

The pro forma net income impact under Financial Accounting Standards Board Statement No. 123 ("Accounting for Stock-Based Compensation") is not material.

During 2001 the Company issued a non qualified option to purchase $1,000,000 worth of common shares at a 15% discount of the market price on the date of exercise, for consulting services performed in 2001. This option expires on March 8, 2011. During 2001 the consultant exercised $796,875 of the option for 15,000,000 common shares at a price of $0.053 per share which was 15% below the market price of $0.0625 on the date of exercise. The amount remaining on the option at December 31, 2002 and 2001 is $203,125. At December 31, 2002 the Company would have had to issue approximately 12,900,000 common shares if the option was exercised.

Note 13- COMMON STOCK WARRANTS

Common Stock Warrants

During 2001 warrants to purchase 4,500,000 shares of common stock at various prices were granted to a consultant. The exercise price was equal to or greater than the market price of the stock on the date granted. All warrants expire December 31, 2002, if not exercised. At December 31, 2001 the per share exercise prices of these warrants were as follows:

Year of Issue	Shares	Exercise Price	Year of Expiration
2001	2,500,000	0.075	2002
2001	1,000,000	0.100	2002
2001	1,000,000	0.150	2002
	4,500,000		

The following is a summary of warrant transactions:

	December 31, 2002	December 31, 2001
Outstanding at beginning of period	4,500,000	-
Granted during the period	-	4,500,000
Expired during the period	(4,500,000)	-
Outstanding and eligible for exercise	-	4,500,000

Note 14- STOCKHOLDERS' EQUITY

During March 2001 the Company issued 6,000,000 common shares for consulting services valued at $450,000 or $0.075 per share.

During March 2001 the Company issued 1,400,000 common shares for consulting services valued at $84,000 or $0.06 per share.

During March 2001 a consultant exercised a stock option for 15,000,000 common shares for $796,875.

During April 2001 the Company issued 4,000,000 common shares to a consultant for services valued at $144,000 or $0.036 per share.

During April 2001 the Company issued 1,000,000 common shares for legal services valued at $36,000 or $0.036 per share.

Note 14- STOCKHOLDERS' EQUITY (continued)

On December 27, 2001 the Company issued 6,680,042 shares of common stock in exchange for $18,838 of convertible notes payable.

On April 11, 2002 the Company issued 69,000,000 shares of common stock at $0.0024 for the conversion of $162,151 notes payable.

On April 25, 2002 the Company issued 300,000 shares of common stock at $0.025 for services valued at $7,500.

On May 13, 2002 the Company issued 6,250,000 shares of common stock at $0.01 for the conversion of 625 shares of preferred stock valued at $62,500.

On May 14, 2002 the Company issued 16,319,958 shares of common stock at $0.0024 for lock up agreement.

On June 21, 2002 the Company issued 6,250,000 shares of common stock at $0.01 for the conversion of 625 shares of preferred stock valued at $62,500.

On December 20, 2002 the Company issued 102,012,221 shares of common stock at $0.0034 for the conversion of $346,841.55 of convertible notes payable.

On December 20, 2002 the Company issued 18,773,478 shares of common stock at $0.0034 for $63,829.83 of interest expense.

The Company has a potential liability attributable to common stock rescission rights as follows:

Year Ending December 31,	Shares		Amount
2003	3,446,079	$	41,250

Preferred Stock

The Preferred Stock is convertible at any time, at the holder's option, into shares of the Company's common stock at a rate of ten shares of common stock for each share of preferred stock.

Note 15- DISPOSAL OF SUBSIDIARY

On May 16, 2001, the Company entered into a stock agreement to sell Clifton Telecard Inc., a wholly owned subsidiary. Accordingly, the operations of the distribution division as well as the loss on the sale have been reported separately as discontinued operations in the accompanying financial statements.

Summarized results of operations for the subsidiary at December 31, 2001 consist of the following:

Net Sales	$	9,964,767
Income from Discontinued Operations	$	72,533

On March 18, 2002 Auxer Telecom Inc was disolved and merged into the Auxer Group, Inc.

Note 16- SUBSEQUENT EVENTS

Common Stock

During March 2003 the Company issued 3,000,000 common shares for the payment of legal fees of approximately $30,000.

VIVA Exchange Agreement

On January 8, 2003 the Company entered into an agreement to exchange 246,000,000 shares of the Company's common stock for 100% ownership of VIVA Airlines, Inc, a Puerto Rico Corporation. In addition, the Company issued 140,000 shares of common stock (valued at $4,480) and granted 660,000 shares of common stock at $0.10 per share to certain employees of Viva Airlines, Inc. The Company sold 80% of Harvey Westbury to a former officer of the Company for $44,126.90 and the forgiveness of $110,401.29 of monies owed by the Company to this officer. The Company approved the forgiveness of $1,206,625 of loans made to Harvey Westbury Corp. The Company then approved the spin-off of the remaining 20% interest in Harvey Westbury to the Company's shareholders of record on January 9, 2003. Viva Airlines, Inc. has no assets and holds a letter of intent to acquire 49% of Queen Air and/or Aeronaves Queen, SA (a Dominican Republic air carrier)

The following unaudited pro forma consolidated balance sheet reflects adjustments to Auxer's historical consolidated balance sheet at December 31, 2002 to give effect to the acquisition of VIVA Airlines, Inc. and the sale and spin off of Harvey Westbury as if it occured on that date.

The unaudited pro forma consolidated financial statements should be read in conjunction with the historical financial statements and related notes of Auxer Group, Inc.

Note 16- SUBSEQUENT EVENTS (continued)

Proforma Company's unaudited consolidated balance sheet as of December 31, 2002:

	Auxer Group Consolidated	Less: Harvey Westbury Corp.	Add: VIVA Airlines Inc. unaudited		Adjustments & Eliminations	Proforma Auxer Group unaudited
Balance Sheet						
Current Assets	$ 238,833	$ 238,670	$ -		$ -	$ 163
Fixed Assets (net)	20,397	20,397	-		-	-
Other Assets	5,132	5,132	-	(2)	6,200,000	6,200,000
Total Assets	$ 264,362	$ 264,199	$ -		$ 6,200,000	$ 6,200,163
Liabilities and Stockholders' Equity						
Current Liabilities	$ 2,006,854	$ 1,570,058	$ -		$ (104,528)	$ 332,268
Long Term Liabilities	2,682	-	-		-	2,682
Common Stock Subject to						-
Rescission	61,250	-	-		-	61,250
Common Stock	357,023	-	600,000	(2,4)	(354,000)	603,023
Stock subscription	-	-	(333,950)	(4)	333,950	-
Preferred stock	1,500	-	-		-	1,500
Paid-in-capital	10,414,189	-	-	(1,2,4)	6,365,451	16,779,640
Retained earnings	(12,579,136)	(1,305,859)	(266,050)		(29,841)	(11,569,168)
Stock dividend	-	-	-	(1)	(11,032)	(11,032)
Stockholders' Equity (Deficit)	(1,806,424)	(1,305,859)	-		6,304,528	5,803,963
Total Liabilities and Stockholders' Equity	$ 264,362	$ 264,199	$ -		$ 6,200,000	$ 6,200,163

Proforma Company's unaudited consolidated statement of operations for the year ended December 31, 2002:

Statement of Operations	Auxer Group Consolidated	Less: Harvey Westbury Corp.	Add: VIVA Airlines Inc.		Adjustments & Eliminations	Proforma Auxer Group
Revenues	$ 1,418,199	$ 613,970	$ -		$ -	$ 804,229
Costs of Goods Sold	1,123,761	488,901	-		-	634,860
Gross Profit	294,438	125,069	-		-	169,369
Operating Expenses	1,445,927	272,866	266,050	(3,4)	5,968	1,445,079
Sale of assets	-	-	-	(1)	(23,873)	(23,873)
Net (Loss)	$ (1,151,489)	$ (147,797)	$ (266,050)		$ (29,841)	$ (1,299,583)

Note 16- SUBSEQUENT EVENTS (continued)

The following is a description of each of the pro forma adjustments:

(1) Record the sale of 80% interest in Harvey Westbury to a former officer of the Company, forgiveness of debt to the former officer and the spin off of the remainder 20% interest as at January 1, 2002, thereby eliminating the assets, liabilities and operating loss for the year 2002.

(2) The issuance of 246,000,000 shares of common stock for the acquisition of VIVA Airlines, Inc. as at January 1, 2002 and the operation of VIVA for the year 2002, valued at average market value of $0.025 per share at the date of closing or $6,150,000.

(3) The accrual of $50,000 legal fees for VIVA Airlines, Inc. as at December 31, 2002.

(4) Elimination of VIVA Airlines, Inc. investment. VIVA Airlines, Inc., a recently formed Puerto Rico Corporation is preparing to provide passenger service from the Dominican Republic to various United States destinations in the second quarter of 2003. The transition did not meet the criteria of a business combination as outlines in ETIF 98-3 "Determining Whether a Nonmonetary Transaction Involves Receipt of Productive Assets or of a Business" as, upon acquisition, the assets acquired did have a significant business outputs. Accordingly, all of the purchase price plus related expenses totaling $6.2 million was attributed to the charter foreign air transportation permit and was capitalized in the accompanying unaudited consolidated balance sheets.

Note 16- SUBSEQUENT EVENTS (continued)

Proforma Company's consolidated balance sheet as of December 31, 2002:

Balance Sheet	Auxer Group Consolidated	Less: Harvey Westbury Corp.	Add: VIVA Airlines Inc. unaudited		Adjustments & Eliminations	Proforma Auxer Group unaudited
Current Assets	$ 238,833	$ 238,670	$ -		$ -	$ 163
Fixed Assets (net)	20,397	20,397	-		-	-
Other Assets	5,132	5,132	-		-	-
Total Assets	$ 264,362	$ 264,199	$ -		$ -	$ 163
Liabilities & Stockholders' Equity						
Current Liabilities	$ 2,006,854	$ 1,570,058	$ -	(1,3)	$ (104,528)	$ 332,268
Long Term Liabilities	2,682	-	-		-	2,682
Common Stock Subject to Rescission	61,250	-	-		-	- 61,250
Common Stock	357,023	-	600,000	(1,4)	(354,000)	603,023
Stock subscription	-	-	(333,950)	(4)	333,950	-
Preferred stock	1,500	-	-		-	1,500
Paid-in-capital	10,414,189	-	-	(1)	4,643,451	15,057,640
Retained earnings	(12,579,136)	(1,305,859)	(266,050)	(4,5)	(4,457,841)	(15,997,168)
Stock dividend	-	-	-	(1)	(11,032)	(11,032)
Stockholders' Equity	(1,806,424)	(1,305,859)	-		154,528	(346,037)
Total Liabilities and Stockholders' Equity	$ 264,362	$ 264,199	$ -		$ 50,000	$ 50,163

Proforma Company's consolidated statement of operations for the year ended December 31, 2002:

Statement of Operations	Auxer Group Consolidated	Less: Harvey Westbury Corp.	Add: VIVA Airlines Inc. unaudited		Adjustments & Eliminations	Proforma Auxer Group unaudited
Revenues	$ 1,418,199	$ 613,970	$ -		$ -	$ 804,229
Costs of Goods Sold	1,123,761	488,901	-		-	634,860
Gross Profit	294,438	125,069	-		-	169,369
Operating Expenses	1,226,768	272,866	266,050	(3)	50,000	1,269,952
Income (Loss) From Operations	(932,330)	(147,797)	(266,050)		(50,000)	(1,100,583)
Other Income (Expense):						
Interest Income	-	-	-		-	-
Sale of assets	-	-	-	(1)	(23,873)	(23,873)
Prior period adjustment	80,000	-	-		-	80,000
Loss on Impairment	(299,159)	-	-	(5)	(4,433,968)	(4,733,127)
Net Income (Loss)	$ (1,151,489)	$ (147,797)	$ (266,050)		$ (4,507,841)	$ (5,777,583)